

Volume No. 1—Policies and Procedures	TOPIC NO	30905
Function No. 30000—Fixed Asset Accounting	TOPIC	Requirements
Section No. 30900—Reconciliation & Error Correction	DATE	July 2003

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Overview

Introduction

The purpose of this topic is to provide guidance to agencies and institutions concerning the reconciliation and error correction requirements associated with fixed asset activity.

The Fixed Asset Accounting and Control System (FAACS) is the official record for central users which documents all fixed asset transactions. See CAPP Topic 31010, *Summary Users* for their requirements.

To ensure the accuracy of reportable data, information in FAACS reports must be reconciled to

- any other relevant agency-based systems, if applicable,
- original source documentation and
- amounts interfaced from FAACS into the Commonwealth Accounting and Reporting System (CARS).

All identified errors must be corrected in a timely manner.

Policy

General

All pertinent data related to fixed asset transactions, including but not limited to

- original source documentation,
- internally prepared fixed asset accounting records,
- data submission logs, and
- other related property management data shall be reconciled to FAACS.

This ensures that the accounting data representing fixed asset activity is accurately reported in FAACS. FAACS information must, in turn, be reconciled to CARS to ensure it has interfaced properly and is valid for financial reporting purposes. Totals in the FAACS master file must be reconciled to the Financial Reporting File of FAACS. These reconciliations are performed and certified monthly by central FAACS users. See CAPP Topic 31010, *Summary Users*, for reconciliation and error correction policy.

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Procedures

Reconciliations The following minimum reconciliation requirements are defined in broad terms to allow flexibility on the part of the agency in its effort to achieve compliance with the reconciliation policy. The requirements apply to all State agencies.

- All agency source records (e.g., original documentation, internal records, input forms, logs, etc.) must be reconciled to FAACS reports.
- The scope of the reconciliation must include all assets properly includable in FAACS (see CAPP Topic 30305, *Capitalized or Controlled Assets*) and related depreciation, if applicable. See CAPP Topic 30610, *Depreciation Methods and Calculation*.
- Amounts reported in FAACS must be reconciled to related CARS reports to ensure a complete and accurate interface. See CAPP Topic 70360, *Interface Requirements*.
- Reconciliations must be performed monthly.
- Reconciliations must be certified for accuracy by a responsible person from agency management. The exception register (see CAPP Topic 20905, *Reconciliation Requirements*) is the proper vehicle for this certification.
- Reconciliation formats may be designed to meet agency specific needs, but must establish an audit trail allowing them to be traced back to source documentation and FAACS reports.
- Reconciliations must be available for review by outside parties, such as the Auditor of Public Accounts (APA) and the Department of Accounts (DOA).
- Central FAACS users must reconcile Master File balances to Financial Reporting File balances.

The goal of the reconciliation process is to reconcile the fixed asset accounting data on a detail, line-by-line individual transaction basis. The procedures listed should minimize the time and effort required of agency personnel to satisfy its property management responsibilities while providing the agency with adequate control over information maintained in FAACS. The procedures listed have the advantage of:

- reducing the reconciliation to the most basic level of comparison,
- being the easiest method of detecting data entry differences, and
- being a comprehensive approach to ensure that each transaction is properly recorded in FAACS.

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FAACS Reconciliation

Specific suggestions to assist with implementing the procedures listed are as follows:

To reconcile Master File balances to Financial Reporting File balances, compare the FAC307, option AA1 report, "Summarized Totals by Assets Categories," to the FAC730 report, "Financial Reporting File Balances." The line titled "Total Funding Amount Capital Assets Less Disposed Capital Asset Category" by category on the FAC307 report should equal the appropriate GLA balance on the FAC730 report. Any discrepancies should be researched with appropriate adjustments made.

If a FAACS user determines that an adjustment to financial file balances is necessary, DOA FAACS staff should be contacted. FAACS users may key Summary Maintenance Form 4 entries for Construction-in-Progress to the on-line system. However, only DOA FAACS staff can release Form 4, Summary Maintenance entries.

Construction-in-Progress balances appearing on the FAC730 Report cannot be reconciled to the FAC307AA1 since there is no corresponding Master File Record. All other categories have Master File Records and, therefore, any reconciling items must be thoroughly investigated and documented prior to allowing an adjustment. Since entries to the Financial Reporting File do not create entries to the Master File, there is a good possibility that a correction to the file will create, rather than solve, a problem.

Once the Assistant Manager, Fixed Assets and Indirect Costs is satisfied as to the propriety of the transaction, it will be documented, released and processed. To keep these two files in agreement, agencies may request the FAC307 detail option, "Summarized Master Display," which provides important detail of each asset currently on the Master File. The report has up to 13 assets per page, plus disposed asset information.

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Agency Source Records

It is important to maintain filing systems for adequate audit trails that facilitate location of relevant source documentation for each asset. Typically, an accounting voucher—consisting of a purchase order, receiving report, vendor's invoice, etc.—provides support for vendor payment for purchase of a fixed asset. For most fixed assets, a copy of the voucher is the primary supporting source document. The voucher may need to be supplemented by additional information required for input such as the asset's tag number, location, organization code, responsible person, description, etc.

The voucher number field on the FAACS master file record is a required field. An asset record cannot be added unless this field contains information. The voucher number field should be used to provide, within the asset record, a reference to a copy of the applicable source document supporting the information contained in the asset record.

Change transactions to existing assets should contain adequate documentation. For example, a change in location or responsible person should be communicated in writing. This provides support that can be filed with the other documentation for the asset record.

All relevant source documentation should be forwarded to the FAACS coordinator for input into the system.

After input, maintain a "pending file" which includes copies of source documents entered into FAACS until the reconciliation process is completed. The documents should be filed to maintain data entry integrity (see CAPP Topic 70325, *Data Entry*) and to facilitate reference. After reconciliation, they should be moved to permanent files.

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Potential Fixed Asset Reports

CARS expenditures to fixed asset object codes trigger the potential fixed asset series of reports. Object code series 2100 (Property and Improvements), 2200 (Equipment) and 2300 (Plant and Improvements) are for fixed assets. These reports are the 462 Report (all relevant expenditures to these object codes greater than \$500) and the 463 Report (all expenditures to these object codes greater than \$5,000). These reports are a good starting point to determine which expenditures require fixed asset treatment.

The 463 report should be retained on file for audit purposes. Material items listed on the 463 report should be reviewed. For land (object 2100 series) and buildings and infrastructure (object 2300 series), expenditures of \$100,000 or greater should be researched and documented. For equipment (object 2200 series), expenditures of \$50,000 should be researched and documented. If items listed on the 463 reports that are researched should be capitalized, the agency number, asset category, FAACS ID, funding amount and a brief description should be noted on the report. If items listed on reports that are researched do not require an entry to FAACS, the agency should note an explanation on the report. For example, an expenditure amount could be for a number of items, none of which individually meet capitalization threshold requirements.

In the past, DOA has treated the 463 report as a turnaround document. Agencies were required to return the 463 reports to DOA for review and retention. **Effective, July 1, 2002, this requirement is no longer in effect.** Agencies should continue to research material items listed on the 463 report as indicated above and note relevant FAACS ID and funding amount or explanation for not recording a fixed asset in FAACS. However, in lieu of submitting the 463 reports to DOA, agencies should retain the reports on file at the agency. These should be available to provide information as needed by DOA for financial reporting purposes and may be reviewed later by auditors.

If the agency has a reasonable alternative means of flagging potential fixed assets, retention of 463 reports is not required.

Note: This CAPP topic supercedes requirements contained in CAPP Topic 70365, page 102, effective 9/1/1993, pertaining to the 463 report. DOA does not plan to revise CAPP Topic 70365, *FAACS Reports*, at this time.

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FAACS To CARS Reconciliation

Each month, review the FAC730 for accuracy. All capitalized asset transactions identified above should be interfaced and properly evidenced by debits and credits to the appropriate GLA. The GLA balances on the FAC730 should be reconciled to the FAC307AA1 report. This ensures that the FAACS financial reporting file (FAC730) is reconciled to the FAACS master file (FAC 307AA1).

FAACS should be reconciled to CARS each month. Transactions on the FAC 710 Interface report should be traced into CARS (CARS401 report), and the FAC730 report should be reconciled to the CARS402 Trail Balance Report. The FAC730 asset GLA's should equal the asset GLA's on the CARS402.

These reconciliations should be certified by checking the FAACS block on the agency exception register submitted to DOA each month. Any discrepancies should be reported to DOA promptly so they can be researched and corrected.

FAACS Reports

The FAACS on-line system produces a report of all transactions released into the system for each day. The report, FAC **W291R**, is presented by FAACS ID for each transaction and includes the action code (1=delete, 2=add, 3=change).

The report is distributed to each agency having released transactions on any given day. The system allows only one transaction to be on the transaction file for any one FAACS ID at any time. (The transaction may contain information for more than one field.) This report serves as a control log. It should be saved and filed in date order.

Released transactions result in input to the system that is shown by other reports; i.e., valid transaction listings (FAC250), Interface Reports (FAC710), and occasionally error transaction listings (FAC270). Transactions should be traced from the release report to valid and/or error reports and interface reports. These reports should be reviewed to ensure that fixed asset information was correctly keyed into the system. All errors should be corrected promptly.

Generally, all delete transactions (Action Code 1 on the release report) should be reasonably explainable. The delete transaction code should not be used in lieu of properly disposing of an asset. A brief written explanation should either be written directly on the release report or referenced and filed.

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Error Correction

As items are entered into FAACS via appropriate on-line screens, numerous edit checks are performed to ensure required data is not omitted and/or the data is accurate. If data is missing, inappropriate, or inaccurate, the user will be prompted by an error message. See CAPP Topic 60303, *Error Messages*. Any errors should be corrected immediately and re-keyed.

Once all of the data has passed the on-line edit criteria, it is automatically batched by the system and processed overnight at DOA in batch mode.

Errors detected during the overnight batch processing will be reported on the FAC270, "Error Correction Report." Valid transactions will be reported on the FAC250 Valid Transaction Report. These two reports are submitted to the agencies after each edit update. Agencies are expected to correct their errors in a timely fashion. Transactions that result in error file items must be considered in the reconciliation process. It is important, therefore, that the agencies resolve these errors as soon as possible. See CAPP Topics 70325, *Data Entry*, and 70330, *Error Correction*.

Internal Control

General

Each agency and institution should implement cost beneficial internal control procedures to ensure that:

- Agencies maintain control over all transactions that affect the general fixed asset account groups of the agency as recorded in central FAACS.
- Agencies provide timely and accurate property management and financial information through FAACS reports for agency management decisions.
- Agencies provide clear, audit trails from source document to FAACS accounts for all agency fixed asset transactions.
- The reconciliation and error correction processes are well documented and reviewed periodically by senior management.

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Records Retention

General


Fiscal records related to managing fixed assets should be retained for a period of 2 years plus current fiscal year, or until audited, whichever is greater. However, for pending, ongoing, or unresolved litigation, audits or claims, retain documentation until completion, resolution, or negotiation of settlements.

Destruction of records must be in accordance with policies and procedures of the Records Management Section, The Library of Virginia.

DOA Contact

Contact

Assistant Director, Fixed Assets and Indirect Cost

 (804) 225-2257

FAX (804) 225-2430

 finrept@doa.virginia.gov

Subject Cross References

References

CAPP Topic No. 30305—*Capitalized or Controlled Assets*

CAPP Topic No. 30610—*Depreciation Methods and Calculation*

CAPP Topic No. 31010—*Summary Users*

CAPP Topic No. 60303—*Error Messages*

CAPP Topic No. 70325—*Data Entry*

CAPP Topic No. 70330—*Error Correction*

CAPP Topic No. 70360—*Interface Requirements*
